

Dixons Group plc
29 Farm Street,
London W1X 7RD
Telephone: 071-499 3494
Fax No: 071-629 1410
Personal Fax No: 071-499 3436

STANLEY KALMS - CHAIRMAN

9th July, 1992

Mr Nigel Peace
Secretary,
Committee on Financial Aspects of Corporate Governance
P O Box 433,
Moorgate Place,
London EC2P 2BJ.

Ash'd
N 10h

Dear Mr Peace,

I and my fellow directors have for many years been staunch advocates of the basic principles underlying the Cadbury Report. We have positively supported the work of ProNed and have reflected their philosophy in our system of corporate governance. Accordingly we are generally supportive of the recommendations contained in the draft Cadbury Report and of the proposed code of practice.

There are some points of minor detail with which we may not agree, and we counsel against too prescriptive an approach being adopted towards these matters. We consider that companies should be free to adopt procedures and structures which are best suited to their historical development and are reflective of their unique cultures, whilst operating within universally accepted principles of best practice on governance; there is little benefit in absolute uniformity for its own sake and it would be short sighted for a code of practice to be so tightly drawn that it does not recognise individuality. Non compliance (which would have to be disclosed under your proposals) should not be outlawed when it merely reflects the breach of a detailed provision. In short, codes of best practice should provide a flexible framework and should not operate as a straight jacket.

We await further details of the various supplementary guidelines referred to in the code in order that we may form a final judgement.

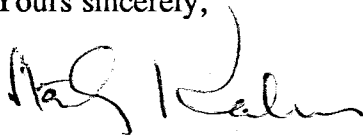
However, one point in the draft Report gives us cause for concern: in paragraph 4.3 it is stated that "if the Chairman is an executive director, a senior non executive director should be appointed to take the lead in order to maintain the balance between the executive and non executive influence". The application of this proposal seems to us to be at best an over simplification and at worst unnecessarily divisive. There may be topics where for procedural and practical purposes it would be sensible for the non executive directors to appoint a "leader" - consideration of the remuneration of the chief executive and the executive directors or the conduct of meetings of the audit committee are two examples. There are, however, many issues at the heart of a board's deliberations - strategy discussions, diversification, acquisitions, capital expenditure projects - where separate cabals of executive and non executive directors are unhelpful and indeed unhealthy.

In such debates what is required is the free flow and expression of ideas and views of all the directors, including the independent judgement to which reference is made in paragraphs 4.8 and 4.9 of the Report. It would be totally wrong to ossify the cut and thrust of debate by suggesting that non executive directors must nominate somebody as their leader to reflect "the non executive view".

It is the job of the chairman, whether he be an executive or a non executive director, to take the lead and to ensure that all directors who wish to participate in the debate on a particular topic do so, and that due weight is given to their views. After all, the board has collective responsibility and I for my part have always sought to ensure that my board operates on a consensus basis. Indeed, paragraphs 4.1, 4.2 and 4.4 of the Report fairly summarise the role and duties of the collective board and of the chairman. Paragraph 4.3 seems inconsistent with these paragraphs.

We accordingly urge that the Committee review the principle behind paragraph 4.3 and consequently the second sentence of paragraph 1.2 of the proposed Code of Best Practice. I should add that this is a unanimous view of my board consisting of four executive and three independent non executive directors.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Stanley Kalms', written in a cursive style.

Stanley Kalms